

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
Berryton, Kansas

STATUTORY BASIS FINANCIAL STATEMENTS
For the year ended December 31, 2011
And

INDEPENDENT AUDITORS' REPORT

Long CPA, PA
A Professional Association
Certified Public Accountants

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
Berryton, Kansas

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To the Board of Directors
Douglas County Rural Water District No. 3
Berryton, Kansas 66409

INDEPENDENT AUDITORS' REPORT ON FINANCIAL STATEMENTS

We have audited the financial statements of the individual funds of Douglas County Rural Water District No. 3, Berryton, Kansas, as of and for the year ended December 31, 2011, as listed in the table of contents. These financial statements are the responsibility of the District's management. Our responsibility is to express an opinion on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the Kansas Municipal Audit Guide. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinion.

As described more fully in Note 1, the District has prepared these financial statements in conformity with the accounting practices prescribed by the State of Kansas to demonstrate compliance with the cash basis and budget laws of the State of Kansas, which practices differ from accounting principles generally accepted in the United States of America. The effect on the financial statements of the variances between these regulatory accounting practices and accounting principles generally accepted in the United States of America, although not reasonably determinable, are presumed to be material.

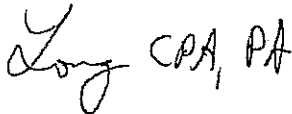
In our opinion, because of the effects of the matter discussed in the preceding paragraph, the financial statements referred to above do not present fairly, in conformity with accounting principles generally accepted in the United States of America, the financial position of Douglas County Rural Water District No. 3, Berryton, Kansas as of December 31, 2011, or the changes in its financial position for the year then ended.

Board of Directors
Douglas County Rural Water District No. 3

In our opinion the financial statements referred to above present fairly, in all material respects, the cash and unencumbered cash balances of the Douglas County Rural Water District No. 3, Berryton, Kansas, as of December 31, 2011, and its cash receipts and expenditures, budgetary comparisons, and changes in long-term debt and long-term debt maturities for the year then ended, on the basis of accounting described in Note 1.

Our audit was made for the purpose of forming an opinion on the financial statements taken as a whole. The supplemental information presented on pages 15-21 is presented for purposes of additional analysis and is not a required part of the basic financial statements of Douglas County Rural Water District No. 3, Berryton, Kansas. Such information has been subjected to the auditing procedures applied in the audit of the financial statements and, in our opinion, subject to the above qualifications, is fairly stated in all material respects in relation to the basic financial statements taken as a whole.

The supplemental schedules on pages 15 and 16 differ from the information presented in the basic financial statements, which are presented on a basis of accounting which demonstrates compliance with the cash basis and budget laws of Kansas.

A handwritten signature in cursive script that reads "Long CPA, PA".

Long CPA, PA
A Professional Association
Certified Public Accountant

January 28, 2012

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
SUMMARY OF CASH RECEIPTS, EXPENDITURES AND UNENCUMBERED CASH
For the year ended December 31, 2011

Funds	Beginning Unencumbered Cash Balance	Prior Year Cancelled Encumbrances	Cash Receipts	Expenditures	Ending Unencumbered Cash Balance	Add Outstanding Encumbrances and Accounts Payable	Ending Cash Balance
Proprietary Type Funds							
Water Utility	\$ 1,269,344	\$	\$ 2,093,710	\$ 2,092,766	\$ 1,270,288	\$	\$ 1,270,288
Total Reporting Entity	\$ 1,269,344	\$ 0	\$ 2,093,710	\$ 2,092,766	\$ 1,270,288	\$ 0	\$ 1,270,288
Composition of Cash							
							\$ 439,447
							467,060
							363,781
							\$ 1,270,288

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Summary of Expenditures - Actual and Budget
For the year ended December 31, 2011

<u>Funds</u>	<u>Certified Budget</u>	<u>Adjustments for Qualifying Budget Credits</u>	<u>Total Budget for Comparison</u>	<u>Expenditures Chargeable to Current Year</u>	<u>Variance - Favorable (Unfavorable)</u>
Proprietary					
Water Utility	\$ 2,112,628	\$ 0	\$ 2,112,628	\$ 2,092,766	\$ 19,862

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
WATER UTILITY FUND
Statement of Cash Receipts and Expenditures - Actual and Budget
For the year ended December 31, 2011

	Actual	Budget	Variance- Favorable (Unfavorable)
CASH RECEIPTS			
Charges for services	\$ 1,874,433	\$ 1,765,998	\$ 108,435
Interest income	18,945	10,000	8,945
Proceeds from borrowings	200,332		200,332
Operating transfers			0
	<u>2,093,710</u>	<u>1,775,998</u>	<u>317,712</u>
EXPENDITURES			
Production	1,198,828	1,218,690	19,862
Capital outlay	329,832	329,832	0
Debt service	564,106	564,106	0
Operating transfers			0
Adjustment for qualifying budget credits			0
	<u>2,092,766</u>	<u>\$ 2,112,628</u>	<u>\$ 19,862</u>
 Total Expenditures			
	<u>2,092,766</u>	<u>\$ 2,112,628</u>	<u>\$ 19,862</u>
 Receipts Over (Under) Expenditures	944		
Unencumbered Cash, Beginning	1,269,344		
Prior Year Cancelled Encumbrances	<u>0</u>		
 Unencumbered Cash, Ending	<u>\$ 1,270,288</u>		

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies

Financial Reporting Entity

The Rural Water District No. 3 (RWD No. 3) (the District) is a water utility that provides service to rural customers. The district was organized as a quasi-municipal corporation to acquire water and water rights and to build and acquire pipelines for the purpose of furnishing water to owners and occupants of land located within the District.

In August, 1979, the District executed an agreement with Osage County Rural Water District No. 5 (RWD NO. 5) and Shawnee County Rural Water District No. 8 (RWD No. 8) to establish the Tri-District Committee for purposes of constructing and managing an intake structure, pumping facilities, and a water treatment plant at Clinton Lake in Douglas County, Kansas, for the treatment and distribution of water to each of the three districts. The title to all assets and the liability for all financing is in the name of RWD No. 3. As such, the enclosed financial statements reflect the combined operations of RWD No. 3 and the Tri-District.

The amended Tri-District agreement stipulates that RWD No. 5 is entitled to purchase thirty percent (30%) of the treated water for which it agreed to pay thirty percent (30%) of the costs of constructing and maintaining the facility, and that RWD No. 8 is entitled to purchase thirty-five (35%) of the costs of constructing and maintaining the facility. RWD No. 3 is entitled to the remaining thirty-five (35%) on the same basis.

It is the opinion of the attorney for RWD No. 3 that the Tri-District Committee does not constitute a legal entity and, therefore, has no power to contract, to sue, or to be sued. The water right being utilized to take water from Clinton Lake, the plant site, and plant facilities are all presently in the name of RWD No. 3. Similarly, all obligations for indebtedness are on RWD No. 3. However, RD No. 3 would have a right of indemnification against the other two districts pursuant to the Tri-District Committee Agreements.

The following types of funds comprise the financial activities of the District for the year of 2011:

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Proprietary Funds

Enterprise Funds - To account for operations that are financed and operated in a manner similar to private business enterprises – where the stated intent is that the costs of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges – or where periodic determination of revenues earned, expenses incurred, and/or net income is deemed appropriate for capital maintenance, public policy, management control, accountability, or other purposes.

Statutory Basis of Accounting

The statutory basis of accounting, as used in the preparation of these statutory basis financial statements, is designed to demonstrate compliance with the cash basis and budget laws of the State of Kansas. Cash receipts are recognized when the cash balance of a fund is increased. Expenditures include disbursements, accounts payable and encumbrances. Encumbrances are commitments related to unperformed (executory) contracts for goods and services, and are usually evidenced by a purchase order or written contract. For an interfund transaction, a cash receipt is recorded in the fund receiving cash from another fund, and an expenditure would be charged in the fund from which the transfer is made.

The municipality has approved a resolution that is in compliance with K.S.A. 75-1120a(c), waiving the requirement for application of generally accepted accounting principles and allowing the municipality to use the statutory basis of accounting.

Departure from Generally Accepted Accounting Principles (GAAP)

The basis of accounting described above results in a financial statement presentation which shows cash receipts, cash disbursement, cash and unencumbered cash balances, and expenditures compared to budget. Balance sheets that would have shown noncash assets such as receivables, inventories, and prepaid expenses, liabilities such as deferred revenues and matured principle and interest payable, and reservations of fund balance are not presented.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Departure from Generally Accepted Accounting Principles (GAAP)

Under accounting principles generally accepted in the United States of America, encumbrances are only recognized as a reservation of fund balance; encumbrances outstanding at year-end do not constitute expenditures or liabilities. Consequently, the expenditures as reported do not present the cost of goods and services received during the fiscal year in accordance with United States generally accepted accounting principles. Capital assets that account for the land, buildings, and equipment owned by the District are not presented in the financial statements. Also, general long-term debt such as general obligation bonds, temporary notes, and compensated absences are not presented in the financial statements.

Inventories and Prepaid Expenses

Inventories and prepaid expenses which benefit future periods are recorded as expenditures.

Use of Estimates

The preparation of modified cash basis financial statements requires management to make estimates and assumptions that affect certain reported amounts and disclosures in the financial statements. Actual results could differ from those estimates.

Deferred Income

On May 7, 1991, the District entered into a contract with Osage County Rural Water District No. 5 (RWD No. 5) for the sale of water rights. Costs for the construction of connecting lines, meters, pressure vales, etc. necessary for RWD No. 5 to receive water from the District are the responsibility of RWD No. 5. For the sum of \$ 155,000 the District agrees to sell water to RWD No. 5, the contract to expire in December, 2019, that being the date that the District's contract for the purchase of water from Clinton Lake expires. Provided that the District extends its contract for the purchase of water, then the terms of this agreement shall correspondingly extend to not more than 40 years from the first day of the month that payment is due to the District.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 1 – Summary of Significant Accounting Policies (Continued)

Deferred Income (Continued)

The total price of \$ 155,000 is payable at the time of execution of the contract, \$ 15,000 payable upon beginning delivery of water to RWD No. 5, and the balance of \$ 125,000, plus interest at the rate of 7% annually, shall be paid in 240 consecutive monthly installments of \$ 983 each, beginning with the month following the month of delivery of water begins to RWD No. 5.

The water rights revenue of \$ 155,000 has been set up as deferred revenue, to be recognized over a 343 month period (the date of the contract through December, 2019).

Income Taxes

In prior years, it has been held that the District is exempt from income taxes under Section 115 of the Internal Revenue Code both because it is a public utility under Section 247 and because it is a political subdivision of the State of Kansas (K.S.A. 82a-601,et.seq.).

In a 1992 published Internal Revenue Service opinion, it was determined that Kansas rural water districts do not qualify as political subdivisions for the purposes of the exemption from payment of FUTA. No claim has been asserted against the District for this tax, nor is the amount of any such claim determinable at this time. Kansas law has been changed, effective March 20, 1992, the result of which causes rural water districts to again qualify as a political subdivision for the purpose of the exemption for payment of FUTA. We are unable to determine at this time whether or not a claim will ultimately be asserted against the District, the likelihood that it would ultimately be held liable for that claim, or the ultimate amount of that claim, if assessed. Consequently, no additional liabilities relating to a possible claim have been recognized.

NOTE 2 – Deposits and Investments

Deposits

K.S.A. 9-1401 establishes the depositories which may be used by the district. The statute requires banks eligible to hold the district's funds have a main or branch bank in the county in which the district is located and the banks provide an acceptable rate of return on funds. In addition, K.S.A. 9-1402

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 2 – Deposits and Investments (Continued)

Deposits (Continued)

requires the banks to pledge securities for deposits in excess of FDIC coverage. The district has no other policies that would further limit interest rate risk.

K.S.A. 12-1675 limits the district's investments of idle funds to time deposits, open accounts, and certificates of deposit with allowable financial institutions; U.S. government securities; temporary notes; no-fund warrants; repurchase agreements; and the Kansas Municipal Investment Pool. The district has no investment policy that would further limit its investment choices.

Concentration of Credit Risk

State statutes place no limit on the amount the district may invest in any one issuer as long as the investments are adequately secured under K.S.A. 9-1402 and K.S.A. 9-1405.

Custodial Credit Risk – Deposits

Custodial credit risk is the risk that in the event of a bank failure, the district's deposits may not be returned to it. State statutes require the district's deposits in financial institutions to be entirely covered by federal depository insurance or by collateral held under a joint custody receipt issued by a bank within the State of Kansas, the Federal Reserve Bank of Kansas City, or the Federal Home Loan Bank of Topeka, except during designated "peak periods" when required coverage is 50%. All deposits were legally secured at December 31, 2011.

At December 31, 2011, the District's carrying amount of deposits, including certificates of deposit, was \$ 1,270,288 and the bank balance was \$ 1,270,880, of which \$ 364,884 was covered by FDIC insurance. All other balances were collateralized with securities held by the pledging financial institutions' agents in the district's name.

For an investment, this is the risk that, in the event of the failure of the issuer or counterparty, the district will not be able to recover the value of its investments or collateral securities that are in the possession of an outside party. State statutes require investments to be adequately secured.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 3 – Pension Plan

The District maintains a defined contribution plan covering all eligible employees. The District contributes seven percent of the employees' gross wages to the plan on a monthly basis. Employees are eligible for plan participation if they are at least 21 years of age and have been employed for more than one year. Pension expense for 2011 and 2010 was \$ 10,365 and \$ 10,384, respectively.

NOTE 4 – Risk Management

The District is exposed to various risks of loss related to limited torts; theft of, damage to and destruction of assets; errors and omissions and natural disasters for which the county carries commercial insurance. There have been no significant reductions in coverage from prior years and settlements have not exceeded coverage in the past three years.

NOTE 5 – Compliance with Kansas Statutes

We noted no instances of noncompliance with Kansas Statutes for the period under examination.

NOTE 6 – Kansas Water Resources Board Contract

On December 13, 1979, the District entered into a water purchase contract with the Kansas Water Resources Board to withdraw water from Clinton Lake. The contract is for 40 years and allows the district to withdraw a maximum of 720.0 million gallons of raw water each year. The price of water was set at \$ 0.07402 per each one thousand gallons withdrawn through December 13, 1989, with a minimum annual payment of \$ 26,647.

Effective December 13, 1989, the price of water rose to \$ 0.1753 per each one thousand gallons withdrawn. However, the District's contract was negotiated under statutes that limited the rate charge to no less than \$ 0.05 and no more than \$ 0.10 per one thousand gallons. Therefore, the adjusted rate for water under the contract will be \$ 0.10 per one thousand gallons for the period December 13, 1989, through December 13, 2019.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 7 – Bond Resolution Requirements

Pursuant to the Series 2001 Bond Resolution, \$ 75,000 was deposited into the Series 2001 Bond Reserve Account restricting these funds for the term of the bonds. The bond resolution calls for no additional deposits to this account.

Pursuant to the bond resolution, on the first day of each month an amount not less than one-sixth (1/6) of the interest that will become due on the bonds on the next succeeding interest date shall be deposited into the corresponding Principal and Interest Account. Similarly, on the first day of each month an amount not less than one-twelfth (1/12) of the principal amount of the bonds that will become due on the next succeeding bond maturity date shall be deposited. The next succeeding interest date is June 1 and the next succeeding bond maturity date is December 1. Thus, at December 31, one-sixth of the next interest payment and one-twelfth of the next principle payment have been deposited. The remaining five-sixths of interest due June 1, and all of the interest due December 1, and the remaining eleven-twelfths of principal due December 1 are deposited throughout the year as required.

The deposits included within special reserve accounts consist of the following at December 31, 2011 and 2010:

	Series 2001 <u>P & I</u>	Series 2001 <u>Reserve</u>
Beginning Balance, 12-31-10	\$ 57,483	\$ 75,000
Additions	291,643	0
Bond payments	(289,348)	<u>0</u>
Ending Balance, 12-31-11	<u>\$ 59,778</u>	<u>\$ 75,000</u>

NOTE 8 – Concentration of Suppliers

The District acquires 100% of its water supply from the City of Topeka and the Tri-District facility. There are no other suppliers of water available for the District.

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Berryton, Kansas

NOTES TO FINANCIAL STATEMENTS

NOTE 9 – Other Post Employment Benefits

As provided by K.S.A. 12-5040, the local government allows retirees to participate in the group health insurance plan. While each retiree pays the full amount of the applicable premium, conceptually, the local government is subsidizing the retirees because each participant is charged a level of premium regardless of age. However, the cost of this subsidy has not been quantified in these statements.

Under the Consolidated Omnibus Budget Reconciliation Act (COBRA), the government makes health care available to eligible former employees and eligible dependents. Certain requirements are outlined by the federal government for this coverage. The premium is paid in full by the insured. There is no cost to the government under this program.

NOTE 10 – Compensated Absences

The District pays for vacation and sick time. These amounts are expensed in the period when incurred. No accrued vacation is included in these financial statements due to the immateriality of the amount.

NOTE 11 – Subsequent Events

Subsequent events for management's review have been evaluated through January 28, 2012. The date in the prior sentence is the date the financial statements were available to be issued.

NOTE 12 – Long Term Debt

The following are schedules of the long term debt and current maturities of debt of the District.

NOTE 12-

DOUGLAS COUNTY RURAL WATER DISTRICT NO.3

Changes in Long-Term Debt
For the year ended December 31, 2011

Issue	Interest Rates	Date of Issue	Amount of Issue	Date of Final Maturity	Balance Beginning of Year	Additions	Reductions/ Payments	Net Change	Balance End of Year	Interest Paid
Revenue Bonds										
Series 2001	2.75% - 4.6%	11/1/01	\$ 2,930,000	12/1/12	\$ 535,000	\$	\$ 265,000	\$ (265,000)	\$ 270,000	\$ 24,345
Series 2003	1.5% - 4.1%	8/5/03	500,000	12/1/13	170,000		55,000	(55,000)	115,000	6,722
Kansas Department of Health and Environment										
Project No. 2516	3.81%	5/19/08	5,576,450	2/1/30	2,380,886	200,332	107,955	92,377	2,473,263	96,689
Total Long Term Debt					<u>\$ 3,085,886</u>	<u>\$ 200,332</u>	<u>\$ 427,955</u>	<u>\$ (227,623)</u>	<u>\$ 2,858,263</u>	<u>\$ 127,756</u>
Principal										
		2012	2013	2014	2015	2016	2017-2021	2022-2026	2027-2031	Total
General Obligation Bonds	\$		\$	\$	\$		\$	\$		\$
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases										0
Revenue Bonds		325,000	60,000		115,217	119,238	661,593	785,383	468,973	385,000
KDHE Loan		103,950	107,577	111,332						2,473,263
Temporary Notes										0
Total Principal		<u>428,950</u>	<u>167,577</u>	<u>111,332</u>	<u>115,217</u>	<u>119,238</u>	<u>661,593</u>	<u>785,383</u>	<u>468,973</u>	<u>2,858,263</u>
Interest										
General Obligation Bonds										0
Special Assessment Bonds										0
Certificates of Participation										0
Capital Leases										0
Revenue Bonds		17,080	2,460		88,652	84,631	357,754	233,965	45,247	19,540
KDHE Loan		99,920	96,292	92,538						1,098,999
Temporary Notes										0
Total Interest		<u>117,000</u>	<u>98,752</u>	<u>92,538</u>	<u>88,652</u>	<u>84,631</u>	<u>357,754</u>	<u>233,965</u>	<u>45,247</u>	<u>1,118,539</u>
Total Principal and Interest		<u>\$ 545,950</u>	<u>\$ 266,329</u>	<u>\$ 203,870</u>	<u>\$ 203,869</u>	<u>\$ 203,869</u>	<u>\$ 1,019,347</u>	<u>\$ 1,019,348</u>	<u>\$ 514,220</u>	<u>\$ 3,976,802</u>

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

STATEMENTS OF ASSETS, LIABILITIES AND
DISTRICT EQUITY - MODIFIED CASH BASIS

As of December 31, 2011 and 2010

	ASSETS	
	2011	2010
Current Assets		
Cash and cash equivalents	\$ 906,507	\$ 910,074
Certificates of deposit	363,781	359,270
Total current assets	1,270,288	1,269,344
Notes receivable	11,177	21,672
Bond issue fees, net	4,585	7,855
Property, plant, and equipment, net	9,743,065	10,112,721
Total Assets	\$ 11,029,115	\$ 11,411,592
	LIABILITIES AND DISTRICT EQUITY	
Current Liabilities		
Accounts payable	\$ -	\$ -
Current portion of deferred revenue	5,423	5,423
Current maturity of long term debt	428,950	437,858
Total current liabilities	434,373	443,281
Long Term Debt, less current maturities	2,429,313	2,648,028
Deferred revenue	37,954	43,377
Total liabilities	2,901,640	3,134,686
District Equity	8,127,475	8,276,906
Total liabilities and member's equity	\$ 11,029,115	\$ 11,411,592

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

STATEMENTS OF REVENUES AND EXPENSES-
MODIFIED CASH BASIS

For the periods ended December 31, 2011 and 2010

	2011	2010
Revenues		
Water sales	\$ 1,659,479	\$ 1,633,925
New meters	90,000	90,000
Water rights	5,423	5,423
Fixed cost recovery	72,000	72,000
Other income	5,516	4,312
	<u>1,832,418</u>	<u>1,805,660</u>
Expenses		
Water purchased	267,470	269,258
Salaries, wages and payroll taxes	161,353	163,058
Chemicals and supplies	112,672	135,884
Meter reading	19,463	21,033
Repairs and maintenance	173,726	238,293
Professional and other services	172,229	174,417
Utilities	133,437	110,413
Insurance	23,968	29,778
Truck and mileage	26,587	20,299
Office supplies and rent	21,980	23,722
Water and county taxes	6,746	6,330
Director's fees	5,300	6,160
Dues and fees	9,266	10,846
Employee benefits	10,365	10,384
Miscellaneous	4,915	5,034
Depreciation and amortization	702,758	691,008
	<u>1,852,235</u>	<u>1,915,917</u>
Net income from operations	<u>(19,817)</u>	<u>(110,257)</u>
Other Income (Expense)		
Interest income	11,446	20,839
Interest expense and service fee	(141,060)	(102,084)
Other Expense, Net	<u>(129,614)</u>	<u>(81,245)</u>
Net Income	\$ <u><u>(149,431)</u></u>	\$ <u><u>(191,502)</u></u>

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES

For the periods ended December 31, 2011 and 2010

RWD NO. 3	2011	2010
Cash Balance, January 1	\$ 1,160,647	\$ 1,170,509
Cash Receipts		
Water receipts	1,133,394	1,093,290
New meters	90,000	90,000
Refund on services	26,728	24,032
Bookkeeping	4,800	4,400
Interest income	10,133	18,907
Land and tower rental	4,110	4,110
Proceeds from borrowings	200,332	
Rental deposits	1,406	202
Total cash receipts	1,470,903	1,234,941
Expenses		
Water purchased	220,626	223,770
Water taxes	6,746	6,330
Salaries, wages and payroll taxes	161,353	163,058
Meter rearing	19,464	21,033
Truck expense and mileage	20,848	17,733
Office expense	21,980	23,722
Insurance	13,683	17,469
Utilities	10,653	13,281
Repairs and maintenance	112,554	127,346
Dues and fees	7,843	9,030
Tri - District expense	25,200	25,200
Employee benefits	10,365	10,384
Professional and other services	12,865	11,186
Real estate taxes	314	271
Chemicals and supplies		1,036
Director's expenses	5,300	6,160
Additions to fixed assets	309,952	106,057
Returned checks	(530)	188
Payment to Tri District		10,500
Payments on long term debt	564,106	451,049
Total cash disbursements	1,523,322	1,244,803
Increase (Decrease) in Cash	(52,419)	(9,862)
Cash Balance, December 31	\$ 1,108,228	\$ 1,160,647

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SCHEDULE OF RECEIPTS, DISBURSEMENTS
AND CASH BALANCES

For the periods ended December 31, 2011 and 2010

TRI-DISTRICT COMMITTEE

	2011	2010
Cash Balance, January 1	\$ 108,697	\$ 70,753
Cash Receipts		
Water receipts	530,914	540,635
Fixed cost recovery	72,000	72,000
Interest income	13	38
Contributions from member districts		30,000
Total cash receipts	602,927	642,673
Expenses		
Water purchased	46,844	45,488
Other services	156,414	164,206
Chemicals and supplies	112,672	135,884
Repairs and maintenance	61,172	110,947
Mileage	1,949	2,566
Insurance	10,285	12,309
Utilities	122,784	97,132
Fuel	3,790	4,817
Bookkeeping	4,800	4,800
Professional and other services	2,950	2,850
Dues and fees	1,423	1,816
Additions to fixed assets	19,880	17,339
Miscellaneous	4,601	4,575
Payments on long term debt		
Total cash disbursements	549,564	604,729
Increase (Decrease) in Cash	53,363	37,944
Cash Balance, December 31	\$ 162,060	\$ 108,697

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3

SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS

As of December 31, 2011

Property Covered	Coverage	Expires
RURAL WATER DISTRICT NO.3		
Commercial property: (9A5-76-22)	90% Coinsurance	6/2/2012
All locations	4,082,700	
General Liability: (9D5-76-22)		6/2/2012
Aggregate Limit -		
products/completed operations	1,000,000	
other than products/completed ops	1,000,000	
Personal and advertising injury	500,000	
Fire damage (per fire)	100,000	
Medical expense (per person)	5,000	
Commercial Auto: (9E5-76-22)		6/2/2012
Liability insurance (per loss)	500,000	
Workmen's compensation: (9H5-76-22)		6/2/2012
Bodily injury by accident	500,000	
Bodily injury by disease (per employee)	500,000	
Bodily injury by disease (policy limit)	500,000	
Public Employee Dishonesty: (9F5-76-22)		6/2/2012
Per loss	450,000	
Directors' and Officers' Liability: (9K5-76-22)	1,000,000	6/2/2012
Commercial Inland Marine: (9M5-76-22)		6/2/2012
Contractor Equipment	108,000	

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
SUMMARY OF INSURANCE COVERAGE AND FIDELITY BONDS
As of December 31, 2011

Property Covered	Coverage	Expires
TRI-DISTRICT COMMITTEE		
Commercial property: (9A5-39-69)	90% Coinsurance	4/10/2012
Buildings and personal property	4,883,118	
Loss of income	100,000	
General Liability: (9D5-39-69)		4/10/2012
Aggregate Limit -		
products/completed operations	1,000,000	
other than products/completed ops	1,000,000	
Personal and advertising injury	500,000	
Medical expense (per person)	5,000	
Inland Marine: (9C5-39-69)		4/10/2012
Data processing equipment	10,000	
John Deere tractor	7,300	
Miscellaneous tools	1,000	
Commercial Auto: (9E5-39-69)		4/10/2012
Liability insurance (per loss)	500,000	

The notes to the financial statements are an integral part of this statement.

DOUGLAS COUNTY RURAL WATER DISTRICT NO. 3
SCHEDULE OF FIXED ASSETS ADDITIONS AND RETIREMENTS
As of December 31, 2011

	<u>Additions</u>	<u>Deletions</u>
Rural Water District No. 3		
Water system	<u>\$ 309,952</u>	<u>\$ -</u>
Tri - District		
Water System	<u>\$ 19,880</u>	<u>\$ -</u>

The notes to the financial statements are an integral part of this statement.